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Appreciation in the price of gold.

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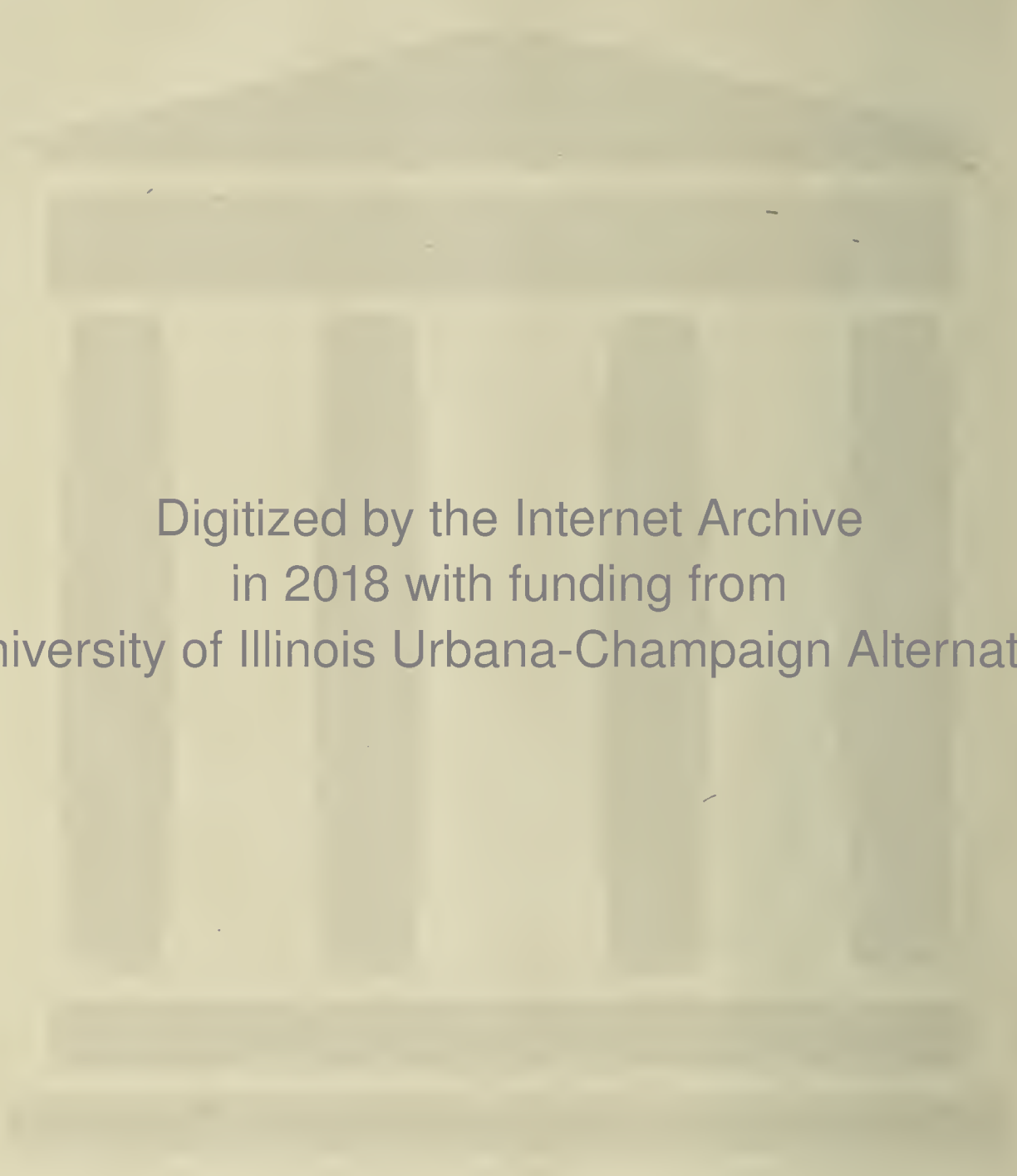
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APPRECIATION IN THE PRICE OF GOLD.

EVIDENCE

OF

HENRY C. CAREY

BEFORE THE

CONGRESSIONAL COMMITTEE

FOR ASCERTAINING

THE CAUSES OF RECENT CHANGES IN THE PRICES
OF THE PRECIOUS METALS.

To what causes do you attribute the recent changes in the value of gold and silver?

Committee 27 Mar 1888
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Seeking an answer to this question it is needed, Mr. Chairman, that we study the causes which have affected those metals in regard to supply and demand, increase or decrease in either one tending materially to affect their relations to each other. Many of these have been very fully exhibited in your speech of April last, but there is one that seems to me to have escaped your notice, to wit: How far has our own legislation tended to produce the changes of which complaint is being made? When that shall have been fully studied we shall, perhaps, have arrived at such comprehension of the general question as may enable us to understand why it is that France, which has so recently with heavy loss of productive territory emerged from a war of the most destructive kind, has been already enabled not only to relieve herself of all the foreign debt contracted, but has become again creditor with almost all the nations of the earth, maintaining at home a currency in which gold, silver, and legal tender paper circulate freely side by side; while we, with resources thrice greater, at the close of a period of more than twice the extent, find ourselves so involved in pecuniary difficulties that it has now at last, Mr. Chairman, been needed that we should make the examination on which you have entered with a view to ascertain when, if even ever, we shall be enabled to obtain as sound a currency as has already been so securely established by the French Republic. To that end I now propose, with your permission, briefly to review our financial policy since the surrender at Appomattox, as follows:—

At that date our national debt amounted to \$2,800,000,000, less than a third of which bore coin interest, the principal, with slight

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exception, payable in the current money of the country, legal tender notes. As a consequence, it was almost entirely a debt to our own citizens who had thus demonstrated the great fact that even in such a crisis as that through which we then had passed we had no need to look abroad for help. So very trivial was the proportion held abroad that it is now safe to say that it had been less than \$200,000,000; that, too, purchased by German bankers at little more than 40 per cent. of its nominal value. The total demand for gold with which to pay interest on our foreign debt, public and private, could not then, as I believe, have required for its satisfaction more than \$30,000,000.

But few weeks previously Mr. Hugh McCulloch had been placed in charge of the Treasury Department, Mr. Lincoln then recognizing in him a man whose opinions on financial questions generally were in full accordance with his own, opposed to contraction of the currency and decidedly favorable to that policy which looked toward bringing producers and consumers into close connection with each other, thereby diminishing the power of traders, transporters, and money-lenders over our working population; farmers on the one hand, and manufacturers on the other. That such was his position in regard to the currency question was clearly shown in a letter to Mr. Pliny Freeman of May, '65, a copy of which I here present. That such it was in regard to both those questions I myself know from personal intercourse with him, he having declared himself to me as being a thorough disciple of Mr. Clay; as not only a believer in the advantage of increased protection to manufactures resulting from the premium on gold then existing, but also as believer in the idea that a higher rate might be regarded as advantageous; and, therefore, as opponent of all measures tending toward contraction of the then existing monetary circulation. Had the ideas then expressed to me been carried into practical operation, Mr. Chairman, the service in which you are now engaged would never have been required.

Directly the reverse of this, however, but three months later we find him advising Mr. George Walker, then in Europe on matters connected with the Treasury, that he might confidently assure capitalists abroad that before the first seven-thirty bonds would fall due we should have resumed payment of specie for all our obligations. Preparatory thereto we next find him issuing that destructive Fort Wayne decree by means of which we were made to know that the currency was in excess, and prices too high; that the policy of the Treasury was to be one of contraction; and that unfortunate debtors must, as speedily as possible, place themselves in a position to meet the shock to be thus created. In other words all debtors were required to sell, capitalists meanwhile being advised not to buy, the government being determined that labor, lands, houses, stocks, and property of all other descriptions should be promptly reduced to gold values; that, too, at a time when there was, almost literally, no gold with which to perform any part of the vast work of exchanging the products of nearly forty millions of people scattered over a territory almost, even if not quite, equal to the whole of Europe. It was a decree of confisca-

tion as regarded debtors, wealthy capitalists meantime being given the opportunity for doubling, even when not quadrupling, the fortunes that had been accumulated throughout the war. As a necessary consequence faith in the future almost entirely passed away, not again to reappear during that gentleman's unfortunate occupation of a post to which he had been called by the honest, enlightened, and patriotic Lincoln.

Following out the ideas that had been thus presented we find the Secretary, in his annual report a few weeks later in date, urging upon Congress the necessity for contraction; for making our bonds payable in coin with a view to render them more acceptable in foreign markets; and for passage of an act providing for payment, necessarily in coin, of principal and interest of the public debt to the annual extent of \$200,000,000; thereby enforcing the maintenance of a system of internal taxation of the most oppressive kind, and this at a moment when, under his threat of contraction, confidence had almost disappeared. Studying all this, Mr. Chairman, your Committee can scarcely fail to arrive at the conclusion that the Secretary's road toward reduction in the price of gold was to be found in steadily increasing the demand therefor; that, too, at a time when the total supply had already so declined that the average of the five years last past had been forty per cent. less than it had been a dozen years before.

Failing altogether to see that such a course of policy must result in ruin of the producing classes, the rich being thus made richer as the poor were made poorer, we find Congress, obedient to the Secretary's commands, granting power to contract the legal tender circulation to the extent of \$10,000,000 in the first half year, and thereafter at that of \$4,000,000 per month; thus contributing its share toward that destruction of faith in the future which had been so well commenced by the Secretary himself in his Fort Wayne declaration of war upon unfortunate debtors issued some months before.

Congress having failed to tax its constituents by conversion of currency bonds into those of coin, we find the Secretary, in his next report, that of 1866, urging that the country should be placed on a level with Turkey, Egypt, and other semi-barbarous countries, by making interest payable abroad, thereby necessarily increasing the foreign demand for gold. The passage in which this occurs is so remarkable for its admission that payment for bonds already exported had been made in commodities required for consumption and not in gold; for admission of the danger resulting from a foreign debt; for pertinacity in the determination to create a market abroad for bonds whose interest should be payable there in coin, and thus increasing the demand for gold; that I have made a copy of it which I now beg leave to read, believing that your Committee, Mr. Chairman, may find therein some explanation of the causes which have tended to place the country in a position so widely different from that now occupied by France.

"The next of the series of proposed remedies is an issue of bonds, bearing interest at the rate of not exceeding five per cent. and payable in Europe, to an amount

sufficient to absorb the six per cent. bonds in foreign hands, and supply the European demand for United States securities for permanent investment.

"No one regrets more than the Secretary the fact that so large an amount of our bonds is held abroad, or the unfortunate condition of our trade that has transferred them thither. The opinion that the country has been benefited by the exportation of its securities is founded upon the supposition that we have received real capital in exchange for them. This supposition is, to a large extent, unfounded. *Our bonds have gone abroad to pay for goods, which, without them, might not have been purchased.* Not only have we exported the surplus products of our mines and our fields, with no small amount of our manufactures, but a large amount of securities also, to pay for the articles which we have purchased from other countries. *That these purchases have been stimulated and increased by the facility of paying for them in bonds, can hardly be doubted.* Our importations of goods have been increased by nearly the amount of the bonds which have been exported. Not one dollar in five of the amount of the five-twenties now held in England and upon the continent has been returned to the United States in the form of real capital. But if this were not a true statement of the case, the fact exists, as has been already stated, that some three hundred and fifty millions of government bonds—not to mention State and railroad bonds and other securities—are in the hands of the citizens of other countries, *which may be returned at any time for sale in the United States, and which, being so held, may seriously embarrass our efforts to return to specie payments.*" After giving the subject careful consideration, the Secretary has concluded that it is advisable that, "He should be authorized to issue bonds not having more than twenty years to run, and bearing a low rate of interest, *payable in England or Germany*, to be used in taking up the six per cents now held abroad, and in meeting any foreign demand for investment that may exist. The question now to be considered is not, how shall our bonds be prevented from going abroad—for a large amount has already gone, and others will follow as long as our credit is good and we continue to buy more than we can pay for in any other way—but, how shall they be prevented from being thrown upon the home market, to thwart our efforts in restoring the specie standard? The Secretary sees no practicable method of doing this at an early day, but by substituting for them bonds which, *being payable principal and interest in Europe*, will be less likely to be returned when their return is the least desired."

Against this suggestion, however, Congress revolted, thereby manifesting a feeling of national self-respect for which it was entitled to receive the country's thanks.

In his next report, that of 1867, we find the Secretary again earnestly urging the necessity for contraction, and assuring Congress that resumption may be brought about in 1869, provided only that he be allowed to continue reduction of the legal tender notes at the then established rate. Warned, however, by the fact that confidence had already almost entirely disappeared, that farmers and manufacturers alike were suffering, and that depression prevailed throughout the land, Congress rejected his suggestion and repealed the law under which the Secretary thus far had acted.

The following year, 1868, was one of extreme depression. Our people had grown in numbers, the road to California had been nearly finished, agricultural and manufacturing produce had increased, but over the nation hung, as a pall, the threat that gold must speedily be re-adopted as measure of value; and, as necessary consequence, there was a total absence of activity in commercial life. Those who had money at command were waiting for lower prices, and those who were in debt found with difficulty purchasers for their property with great reduction from previous ones. The term of President Johnson was approaching to its close, and there prevailed throughout the country, as you Mr. Chairman must well recollect, an anxious hope that with the election of General Grant there would come a change of policy that would give to our commercial world a part at least of the activity that before the issue of the Fort

Wayne manifesto had been so great throughout the land. The following session of Congress, 1868-9, gave, however, little beyond the adoption, at the repeated suggestion of the author of that extraordinary document, of a total change of the conditions upon which the government bonds had been issued; holders being now empowered to demand their ultimate redemption in coin instead of paper, thereby not only adding largely to the national debt but also providing for its rapid transfer from our own people to the hands of foreign bankers.

The change was for the country at large an exceedingly sad one, and from it has come the financial trouble under which we so severely suffer. Before, however, entering upon an exhibit of its operation, allow me, Mr. Chairman, to ask you to study the effect upon the currency resulting from bank loans based upon bank debts, usually called deposits. A, possessed of money which he locks up at home, goes on Change sole representative of that amount of capital. If, however, instead of retaining it in his own possession he places it in a bank, and that bank loans it to B, the two meet on Change, each of them having command of that same precise money, the currency being, to that extent, doubled in amount. Let it, however, be supposed that there has been an unlooked-for deluge of money, all of which has been placed in bank and by it lent out, and we shall have, not a mere duplication of an already existing currency but an actual addition to the previously existing one of double the amount so obtained. Such precisely, as I propose to show, was the result of that change of system which the Secretary so long had advocated, and then about to be carried into practical effect.

Throughout the period above referred to, the "inflation" resulting from such use of deposits was of the character first described, and small to a degree that looking now backward could hardly have been imagined. The note circulation grew to the extent of \$30,000,000; the deposits, \$42,000,000; and the total of loans by banks, \$105,000,000. How trivial was the speculation of that period, would seem to be proved by the fact that in the three years, 1866-8, the miles of railroad opened but little exceeded 7000. How it has been with the years which have since passed, I propose, Mr. Chairman, now to show.

The country having passed successfully through one of the most remarkable wars on record its credit was excellent, and, as a consequence, from the moment that the bonds were made payable in coin there arose a foreign demand for them requiring for its satisfaction all that the Treasury was prepared to sell. Tens and hundreds of millions of them went abroad, the proceeds whereof were applied to the cancellation of a domestic debt whose holders were now required to find other modes of investment. Waiting this, the moneys passed into the banks to be by them lent out, the loans based upon deposits growing from \$425,000,000 in 1868 to \$594,000,000 in 1873; the amount in this manner added to the currency, first by the moneys forced upon the original bondholders, and second by the process of duplication above described, having been little less than \$350,000,000. Adding now to this large

deposits with State banks, and with bankers great and small throughout our cities, it would, I am well satisfied, be safe to place the "inflation" produced by this extraordinary preparation for resumption at little less than double that amount. As a necessary consequence money was readily obtained for speculation of every description, and most especially by those engaged in getting up railroads throughout the south and the west; so large a portion of which has proved an entire loss to those by whom the money had been furnished that it would be safe to assert that the destruction of capital which has followed the Secretary's resumption measures greatly exceeds the amount of foreign debt created. The more bonds were sold abroad the more railroad iron was needed, and the more clothing was required for those engaged in their construction, and in such form it was that we received our payment. The larger the importations the larger became the surplus revenue, and the more rapid that discharge of the debt by means of which our own people were compelled to seek new modes of employment for their capital. With each successive year the "inflation" increased until at length the explosion came in 1873, leaving the country burthened with a foreign debt of probably \$1,800,000,000, requiring for payment of its interest more than \$120,000,000 in gold; whereas, at the date of the Fort Wayne decree the interest on such debt, public and private, would probably, as I have already said, have been paid by less than \$30,000,000.

Have we since then profited by such sad experience? Certainly not, all our recent Secretaries having appeared to be of opinion that the more rapidly the domestic debt could be converted into a foreign one, with constant increase in the demand for gold and as constant decrease in the supply thereof, the less must be the price of the precious metal and the sooner must we reach resumption. The proverb tells us that those whom gods would destroy they first make mad, and that such is certainly at times the case would seem to be proved by our financial action since the death of that great and good man, Lincoln. Had he survived, contraction would not have been undertaken, our debt would have been held at home, our demand for gold would not have grown, and we should have escaped the troubles under which we now so severely suffer. So long as that debt continued to be so held, there was, and could be, no "inflation."

Reviewing now the Treasury course throughout the whole period above described, we find it to have been steadily engaged in an effort at increasing the demand for gold in the vain hope of thereby reducing its price; and as steadily adopting measures whose effect has been that of stimulating export of the precious metals, thus aiding in building up those masses now held by the Banks of France and England as useless to the world at large as would have been the case had they remained unmined in the mountains of Nevada or California. Looking then abroad we see Germany, Austria, and most of the north of Europe seeking everywhere for gold with which to replace the dishonored silver, and thus producing the effect of compelling France, Italy, and Switzerland so to limit their silver coinage as to contribute their respective shares

toward increasing the price of the honored metal; that, too, at a time when its consumption in the arts had become many times greater than it had been forty years before when that of both the precious metals had been estimated at an amount greater than that which represented their total production.

Of gold alone it has been estimated, and by very high authority, that within the last quarter of a century there had been thus consumed no less than 800,000,000 of dollars. Throughout that period the quantity had been so steadily an increasing one as to warrant us in assuming that one-half thereof had been in the last decade, thus exhibiting a present annual consumption of \$40,000,000; or a full third of a present annual production that is itself likely to be largely reduced as New Zealand follows in the train of that Victoria Colony which has already fallen from sixty to fifteen millions of dollars. Seeing now, Mr. Chairman, how great have been the increase of demand and diminution of supply already brought about, and how strenuous are the efforts at inducing European nations generally to adopt the gold standard, may we not find therein good and sufficient reason for belief in an idea, suggested some years since by an eminent French statesman, to the effect, "that, if the men so employed should succeed in inducing France to follow the example of England, gold would become so dear that a five franc piece would be of about the size of a spangle;" thereby, as he might have added, tenfold increasing the burden of taxes and interest, while reducing not only the workman and his employer, but also the land owner, to the condition of mere dependents on the charity and forbearance of the money lender, to whatsoever limited extent such feelings might prove to have existence?

Putting together, now, all these facts, it seems clear that gold has risen in price, as compared with silver, for the reason that every effort has been made, both here and abroad, at stimulating the demand therefor when its production was from year to year steadily diminishing. Of the two metals that is, for various reasons, the most liable to variation both in the quantity produced and in that required for monetary purposes. The field over which gold is mainly used as money is not only small to insignificance, but also the very one in which substitutes for metallic money are most in use. As a consequence of this it is liable to extreme vibration; whereas silver, the monetary material of the world at large, diffuses itself so widely that change in the quantity produced is little felt. That such is the case seems to be proved by the fact that prosperous France now holds in circulation among her people, and outside of the Bank, \$140,000,000 more of silver than she held in 1868, and that rapid as has been the increase there is, as by a recent British Parliamentary Report we are advised, "no sign of plethora;" and the further most important fact, that the rupee of India has, as we are by high authority assured, throughout the "battle of the standards" elsewhere waged, undergone no change whatsoever from the time when gold was so abundant that its demonetization had been proposed, to the present hour when, outside of France and Britain, it has become so rare as to induce men, otherwise enlightened, to arrive at the strange conclusion that to it alone might safely

be entrusted the great work of measuring the values of the world at large.

You speak of silver as the great monetary material of the world. Pray give the Committee more at length your reasons for so regarding it.

Among civilized nations the great commerce is that from hand to hand, from house to house, from street to street, from village to village, and from the farmer of the neighborhood to his town and city customers. Take, for instance, the manufactures of Philadelphia, now exceeding in their amount our exports to all the countries of the world, and estimate, Mr. Chairman, if you can, the number of thousands of millions of exchanges to which, in passing through their various processes, they give occasion. Add to this the exchanges of commodities, raw and finished, necessarily consumed by the million of people who inhabit the region within a dozen miles of Independence Hall, and then reflect, that for probably three-fourths of those people the money needed is the nickel and the dime, the dollar or the five-dollar note. Of the remaining fourth so large a proportion is carried on by means of checks and drafts that the currency would scarcely be in any manner affected were gold wholly to pass from the earth. Were silver, on the contrary, so to pass, men would everywhere be reduced to barter, did there exist no power to furnish a substitute of general acceptance such as is now found in our fractional notes. To show in how great a proportion, among ourselves, the smaller currency is used, I give here, in thousands, the number of notes of various denominations outstanding on the first of this present month of November, as follows:—

		N. Bank.	Legal tenders.	Total.
Ones		3,292	28,110	31,402
Twos		982	13,800	14,782
Fives		19,401	9,180	28,581
Tens		9,639	6,725	16,344
		33,314	57,815	91,129
Twenties		3,234	3,600	6,834
Over twenty		782	1,039	1,821
Total		37,330	62,454	99,784

Of the 8,655,000 notes of denominations exceeding \$10, it is, as I believe, safer to say that one-half would be found lying in bank vaults, and therefore out of circulation.

Of the fractional currency so considerable an amount must have been destroyed as to leave probably not more than \$30,000,000, in actual use. How do you account for the fact that the quantity has been so small when the commerce to be carried on was so great?

From the fact that its manufacture was a government monopoly, and that no one had occasion to feel an interest in extending its use among our people. The amount originally authorized was \$50,000,000, not more than two-thirds of which was ever actually in use; and yet, from Maine to Arizona and from the Atlantic to the Pacific there has always, outside of the close neighborhood of treasury agencies, existed an extreme difficulty in obtaining the small moneys required for the effectuation of local exchanges. So indeed is it at this moment in many parts of Britain and of

Belgium, small silver being scarce and in demand; that, too, at the very moment when there exists so much fear in reference to our supply of that raw material out of which money, the instrument of association, is manufactured. As such, it is the most important of all the instruments used by man. To enable a community to obtain a proper supply thereof it is needed that its members find full demand for the services they desire to render. To that end it is required that there be that diversification of employments which it is the object of our present national policy to bring about. More than any other nation does France persist in maintaining that policy, and hence it is that we to-day witness her in the enjoyment of an industrial and monetary independence the like of which has never yet been known; and a power among her people to command the services of money in all its forms at rates of interest contrasting strangely with those which are here being paid by a people claiming to occupy high rank among civilized nations, and yet allowing themselves to be led by theorists and interested men to the belief that the road to prosperity is to be found in the use of the dearest of monetary instruments, and in the suppression or limitation of those less costly ones, silver and paper, both of which are now so largely used in prosperous France.

How does our actual circulation compare with that of France?

The gold in circulation, and outside of the bank vaults, in the latter is by the highest authorities estimated at not less than \$1,000,000,000

The silver circulation is in like manner given at . . . \$300,000,000

Of notes of the Bank of France in actual circulation, and outside of its vaults, the amount a year since was 2,420,000,000 of francs; but it has been since so much increased that on the 9th of November instant, it stood at 2,536,000,000, the equivalent of \$500,000,000

Adding now together these several sums we obtain a total circulation of \$1,800,000,000

Turning our eyes now homeward, we obtain, for the 1st of the present month, the figures here given as follows:—

Legal tenders outstanding	\$369,000,000
National Bank circulation	320,000,000
Fractional currency, coins and paper	40,000,000
	\$729,000,000

Of this, as nearly as can be ascertained from official reports, the quantity in the vaults of national and State banks, in saving funds, and in the Treasury itself, is not less than \$150,000,000. Deducting that amount from the apparent circulation, we obtain the sum of \$579,000,000, scarcely more than the actual paper circulation of little France with her 36,000,000 of people, as the total circulation now allowed for our 45,000,000, scattered as they are throughout almost half a continent, and, for that reason, standing greatly more in need of a circulating medium than are the people of any other portion of the civilized world.

What, as you view it, is the relation between our larger circulation and the general business of the country? The merchandise, Mr. Chairman

carried last year upon our railroads amounted to 200,000,000 of tons, and the value as given by high authority was \$10,000,000,000. Add to this the large exchanges of real and personal property effected throughout the country, on our lakes, along the coast, and across the ocean, and it will be very safe to estimate our general commerce at double, if not even treble, that amount. For such commerce France has provided circulating notes of \$20 and upwards, amounting to \$400,000,000, and one of gold, as has been shown, of no less than \$1,000,000,000; whereas the number of notes of denominations higher than \$20 in actual circulation here among ourselves is less, certainly, than 650,000, with an average value of \$100 and a total one of less than \$65,000,000. Trivial as is this quantity, and utterly unimportant as regards the question of "inflation," our people have for years past been so persecuted in reference to "contraction" that faith in the future has wholly disappeared; that the men to whom we stand indebted for our most important improvements have been ruined; that their works stand idle; and that bankruptcies have so largely increased in number and extent that the liabilities of unfortunate debtors for the present year must reach the enormous amount of \$200,000,000; almost, if not quite, ten times more than they were when Secretary McCulloch issued his famous Fort Wayne decree of confiscation as regarded those useful men to whom throughout our civil war we had been so much indebted, and who chanced to be themselves indebted to their money-lending neighbors. In no country whatsoever has there been performed the same amount of work with so small a quantity of the machinery required for its performance. In no civilized one has the price paid for its use been so high. In none have the money dealers been more earnest in their efforts at raising that price and thus making of the men who labor mere "hewers of wood and drawers of water" for those who control the supply of the most ornamental, and, perhaps, the most useless of the metals.

How, when private credit has so nearly disappeared, do you account for the great improvement in the public credit? Little more than half a century since the Board of the United States Bank, at the instance of Mr. Nicholas Biddle its then president, performed a graceful and somewhat costly act in giving to La Fayette, at par, government bonds bearing $4\frac{1}{2}$ per cent. interest. From this we might infer that public credit had been unusually high; but it really proved nothing more than that seven years of British free trade had gone so far toward destruction of private credit that those having moneys to invest found themselves compelled to accept security even when accompanied with very low interest. So is it now; confidence having so far disappeared that men are everywhere permitting their moneys, so far as they themselves are concerned, to remain idle in the vaults of banks, bankers, and safe deposit companies to be by them lent out at such rates as give to their stockholders dividends of ten, fifteen, or twenty per cent., when not even more. We are now selling bonds abroad and thus increasing a foreign debt that without a total change of policy never will be paid; and importing gold, if not even silver, to be used for the cancellation of portions of a paper circulation that even now scarcely exceeds that of little

France with her almost thousands of millions of coin, and but 36,000,000 of population. At every stage of progress in this direction there is a diminution of confidence; an increase of difficulty in finding safe investments; an increase of bank debts, and bank loans; and a renewed assurance on the part of finance ministers, their friends and agents, members of syndicates who profit by this to the extent of millions, that such is the certain road toward that blissful state of resumption which here existed throughout the first sixty years of the century, when every British crisis was followed by such drain upon our banks as to produce suspension of specie payments.

The capital and surplus of national and State banks and *actual* circulation of the former, amount now in round numbers to \$950,000,000, and their interest yielding investments to \$1,600,000,000; the difference between those sums, \$650,000,000, exhibiting the duplications of currency resulting from loans by banks of moneys deposited with them returnable on demand, or at short notice. Add now to this the moneys so placed with deposit, guarantee, and other companies; with bankers and brokers, by individuals and by interior banks; and we obtain fully \$1,000,000,000 as the amount of "inflation," that has already been produced by the "contraction" to which we stand to-day indebted for the existence of a foreign debt such as has never till now been known in the annals of the world.

Having studied these facts, and having reflected on the convulsion produced, but three years since, by the sudden withdrawal from New York to the West of but \$60,000,000, you will have little difficulty, Mr. Chairman, in understanding why it is that confidence daily diminishes, and why it is that men accept four and a half per cent. with almost the only perfect security that can be now obtained. We are building an inverted pyramid, confidence tending more and more to disappear with each and every step of progress in its elevation; and as private credit is the base of public credit we may, as I think, with continuance of our present policy, confidently calculate, at no very distant period, upon reaching repudiation while dreaming of resumption.

What in your opinion is to be the effect of the issue of debased silver now in progress?

That nothing could be more ridiculous as a measure of resumption, nothing of similar extent more injurious. The treasury sells bonds payable principal and interest in gold, thereby increasing the demand for a material whose supply is steadily diminishing, and with the proceeds purchases silver to be passed into circulation at a price much exceeding its real value, and irredeemable whether in greenbacks or in fractional notes. It is simply a further step toward increasing the price of gold and promoting its further export. With every step taken in that direction the small money needed for the great domestic commerce of the country becomes more rare, to the serious injury of all engaged therein; yet are we assured that this may be regarded as preparation for near resumption. Were the conversion of silver bullion into money at the public mints perfectly free, and were it made of full value legal tender for all purposes, its producers,

in like manner with producers of other commodities, would be seeking to extend their market; and with every step in that direction commerce would become more active and labor more and more productive, with steady increase in the power of our people to command the use of money at rates of interest more nearly approaching to those paid by men of France who so clearly recognize the advantage of a full supply thereof, and who protect their currency by means of a protection to their industrial interests more thorough and complete than can be found in any other nation of the world.

What influence would such a measure, if now adopted, have on the general question of resumption?

To my mind, Mr. Chairman, the word as generally used is an utter absurdity. By it we are led to suppose that in the years preceding 1862 the precious metals had been readily obtainable in exchange for bank credits and circulating notes; and yet it would be difficult to find anything further removed from the truth. Prior to that date the rule was in strict accordance with the idea enunciated by Mr. Albert Gallatin, Ex-Secretary of the Treasury and president of a great bank, then regarded as *facile princeps* among our financiers, as follows: "Every note," said he, "we issue carries with it a promise to pay a certain number of dollars, but it also carries an implied agreement that they are not to be demanded." Such precisely was the case. At each successive British crisis they came to be demanded and in the effort to meet the demand banks crushed their customers out of existence, soon after to become themselves bankrupt, placed at the mercy of legislators who uniformly granted to them a dispensation for a certain time from performance of their contracts. Such was the course of operation throughout the first sixty years of the century, with exception only of those in which, under the Tariffs of 1828 and 1842, protection to the currency was secured by means of protecting the farmer in the creation of markets near, if not upon, his land. If to resume be to place ourselves once again at the mercy of foreign banks and bankers, then, as it seems to me, any attempt thereat must under present circumstances prove a failure more complete than have been all of those which thus far have been made.

In what manner, and to what extent, would their power over our monetary arrangements make itself manifest?

For answer to this question allow me to ask, Mr. Chairman, that you bring to your recollection the many corners in gold that you yourself have witnessed, and the extraordinary amount of capital that has been brought together here at home for the purpose of influencing its price. If New York speculators could gather together, as they have done, fifteen or twenty millions for that purpose, how much more easy would it be for an association of foreign and domestic gamblers to unite for throwing upon the market of New York so large an amount of our bonds now held abroad as would enable them to sweep out every single dollar of the trifling amount of specie upon which, as we are assured, we might now begin the work of resumption?

Would not, however, so large a sale of bonds be attended with heavy loss to the parties engaged in such an operation?

For the instant, certainly, there would be a loss, but the confusion

that would thus be brought about would be attended by such destruction in the value of property of all kinds as would enable the operators to recoup themselves with a hundred, if not even with hundreds, per cent. of profit. There can be no resumption, as it is called, until there shall be a restoration of faith in the future; and of that there can be none while we have over our heads almost thousands of millions of foreign debt.

France has no such debt. Her debtors are to be found in almost every country of the world. Her people have now distributed among them the precious metals to an extent that would seem abundant for all their purposes, and the total amount held by banks and people is greater than has been known in modern times in any country of the world; and yet she hesitates at abolishing that legal tender clause under which her circulating notes were issued. We, on the contrary, with \$1,800,000,000 of foreign debt; with little of either gold or silver; with an annual demand for gold, or interest-bearing securities in its place, that counts almost by hundreds of millions; and with bank and treasury indebtedness approaching in amount to our foreign debt, all which would become at once redeemable in gold; talk of early resumption, and have recently found ourselves blessed with a finance minister among whose last recommendations to Congress is one to the effect that, with a view to preparing for resumption two years hence, the legal tender character of the greenback shall be at once abolished; gold thereafter, and from the instant, becoming the sole commodity in which taxes, mortgages, interest, or money liabilities of any kind can legally be discharged. When you shall have studied the caution displayed beyond the Atlantic, and have compared with it the utter recklessness with which our finance ministers are accustomed not only to talk but to act in regard to this most important question, you will, as I think, Mr. Chairman, fully understand why it is that confidence, or faith in the future, prevails throughout the so lately almost ruined France; why it is that nothing of the kind exists among ourselves; why it is that land owners in France borrow money readily at five per cent., their American competitors meanwhile paying, even when the money can possibly be obtained, from ten to thirty, or even fifty, per cent.; why, finally, it is that France enjoys a prosperity unparalleled in the world, distress, difficulty, and ruin meantime making its way steadily throughout all classes of our people, the money dealers alone excepted. The first step towards bringing, as in France, gold down to a level with the circulating note, and with silver, is to be found in the abandonment of that course of policy which is now daily adding to our foreign debt and thus increasing our need for gold with which to pay interest thereon; this being now daily done, in face of the fact that the production of that metal is but little more than half what it was twenty years since.

It is alléged that there can be no stability in our monetary arrangements until, in imitation of Great Britain, we shall have made gold the exclusive standard by means of which the values of all other commodities shall be determined. What is your view of the matter?

The standard coin of France has throughout been different from that of Britain, having been the five-franc piece. As a consequence

of this difference she has not only passed unhurt through the ever-recurring crises of Britain, but has, on at least two very important occasions, through the Bank of France, been enabled to render assistance of the highest importance to the Bank of England. Had the two countries been using gold exclusively, the drain thereof from France to England would have effectually prevented such assistance from being rendered. Throughout the first seventy years of our political existence we were pretending to pay specie and, as a consequence, each returning English crisis brought such demands upon our banks as to compel suspension. Since the adoption of our present system we have seen an English crisis, that of 1866, more severe than had ever before been known; yet not only did we pass through it entirely unharmed, but, by the prompt transmission of \$30,000,000 of gold for which we had no need, have rendered the largest service to the Bank of England and the British people. These facts, as well as all others within my knowledge, tend to prove that monetary steadiness and safety are to be found in the direction of establishing for ourselves a standard different from that maintained by Britain.

To what extent, in your opinion, might a market for the produce of our silver mines be created?

For an answer to this question allow me to refer you once again to the fact that the mere addition to the silver currency of France, in those recent years throughout which the amount of circulating notes has been so largely increased, has been \$140,000,000; and the further one that in the last forty years India alone has absorbed no less than \$1,000,000,000. Demonetizing silver generally, German reformers, as the theorists of the day are accustomed to style themselves, at once recognized the fact that small silver to the extent of \$100,000,000 would be required. Further than this, they have already, as it is understood, arrived at the conclusion that \$50,000,000 more must now be issued. Seeing this, can we doubt that with a commercial system like that of France, having for its object the stimulation of production and of domestic commerce, a market would be here created that would, for monetary and artistic purposes, absorb at the least one-half of the produce of our mines, thereby aiding in placing the precious metals on a level with each other? As it seems to me, we cannot.

If the United States should establish the double standard, do you think it would have the effect of confirming France, Italy, Belgium, and the other nations of the Latin Union, Austria, Prussia, Holland, Mexico, Asia, and South America, in their present policy of employing silver as an unlimited legal tender?

Not only, in my belief, would it have that effect, but it must largely tend toward opening the eyes of the British people to a perception of the error of which they have been guilty—first, in demonetizing, sixty years since, the more useful of the two metals; and next, in urging upon all the nations of the world that they should follow her example.

The measure was then opposed by eminent financiers of Britain, and three years later it was earnestly urged by the head of the great house of Baring that the double standard should be re-

established. Little less than thirty years later, in a pamphlet on the crisis of 1846, he, having then taken his place in the House of Peers as Lord Ashburton, spoke as follows :—

“The first Lord Liverpool gave a very foolish reason for preferring gold to silver as a single standard, that the richest country in the world should have the richest metal for a standard. Common sense should have led an accurate observer to the very opposite conclusion. The wealth of a nation like ours does not consist in the precious metals. We hold little more of them than is necessary to circulate the almost countless millions of our wealth, and much less in proportion than is held by many much poorer countries. In proportion to the amount of wealth circulated it is essential to enlarge for safety the metallic base which is to preserve paper from depreciation ; and that, it cannot be doubted, is greatly enlarged by conforming to the practice of all our neighbors in taking the double, and if not the double, the silver standard.”

Despite all opposition on the part of really thinking men, not only has the single standard been retained, but its adoption has been so persistently urged upon other European nations that the demand for gold has much increased, and has so raised its price that the rate of exchange between Britain and her silver-using Asiatic Empire has risen to 25 per cent., involving a loss to the Indian Government of \$20,000,000, resulting from a necessity for paying annually in England, mainly for interest on the Indian public debt, no less than \$80,000,000 ; that, too, at a time when the absolute impossibility of adding to the Indian revenue is fully admitted by men who have occupied the highest stations in the Indian government. That, however, as I propose to show, is not the most serious of the results to be now obtained from past persistence in the effort at establishing a single standard for the world at large. For several years past the Manchester manufacturers have been energetically protesting against a pitiful duty of five per cent. upon their goods ; energetic men in India meantime profiting of the slight protection thus afforded to such extent that the cotton mills of Western India, few of which, as I believe, were in existence seven years since, are now capable of converting cotton into cloth to the extent of from thirty to forty millions of pounds per annum. Such having been the effect of a five per cent. duty, what must be that of an exchange of twenty-five per cent. thereunto added ? To me it seems very clear, that, if there be no change in the relative position of the two metals, the day must speedily arrive when the machinery of Lancashire will find its place in India, the wonderful power heretofore exercised by Manchester then passing away forever. How rapid may, and probably will, be the progress of that manufacture may be judged by the fact that that of jute, heretofore almost monopolized by Dundee, has in half a dozen years so wonderfully increased that India not only now supplies her own needs but also those of China, Australia, Egypt, and the countries on the shores of the Mediterranean ; Dundee meantime passing toward a state of utter ruin. The chief obstacle to the establishment of Indian manufactures is found in the high price of fuel ; but China and Japan abound in coal with which they are now preparing to supply the Eastern world.

Already the effect of gold premium exhibits itself in a decline of imports into India, and a universal admission that British trade with the Anglo-Indian empire has become ruinous to the last degree.

Clearly seeing that what has thus far been done in that direction is but the "beginning of the end," the Indian Council has just now adopted resolutions to the effect that so far as possible all its purchases shall in future be made at home and not in Britain; thus offering to capitalists abroad every inducement to the transfer of their works to India. Like causes in China tending to the production of like results, Sir Charles Dilke, one of the most enlightened of British travellers, now calls the attention of his countrymen to the fact that they are threatened with the creation in that country of manufactures on the largest scale; and that the "opening of China," in which they are now so busily engaged, is likely to be followed by the "loss of Lancashire." That such must be the result of a continuance of the present premium on gold cannot, as I think, be doubted.

For all this, if Britain would retain her position among the nations, a remedy must be found, and the only direction in which it can be sought consists in bringing as speedily as possible the two metals to a level with each other. Let this country then exhibit the example of a return to common sense and common honesty by authorizing the free conversion of silver bullion into coin that shall be legal tender in payment of all debts, and all the powers of Europe, Britain included, will speedily follow the example we thus shall set them.

Alone among the nations, Mr. Chairman, France has throughout the whole century pertinaciously adhered to that protective system which has for its object that of bringing consumers and producers together, with constant reduction in the cost of exchange and transportation. Alone, she has maintained the double standard, gold and silver being alike legal tender in discharge of money obligations. Alone, she has in that brief period so succeeded in giving to her people perfect confidence in the circulating note, that gold, silver, and paper to a larger amount than can be found in any other European State, pass freely from hand to hand at par, each with every other. Alone, she stands now as bearing "a charmed life," and prosperous to an extent that till now she has never known; poverty and distress, waste of labor and capital, and fears for the future, becoming more and more the characteristics of those nations which, having set up for themselves a golden image, now call upon the people of the world at large to fall upon their knees and worship it.

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